

Arnold Schwarzenegger, Governor
State of California
Business, Transportation and Housing Agency

Department of Managed Health Care
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June 14, 2006

Douglas Schur
Vice President, Deputy General Counsel
Blue Cross of California
1 Wellpoint Way
Thousand Oaks, California 91362

RE: Enforcement Matter No. 05-237

LETTER OF AGREEMENT

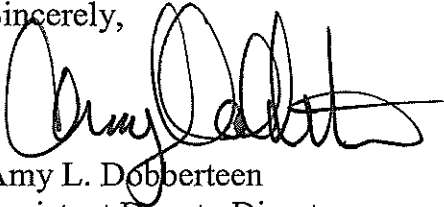
The Office of Enforcement of the Department of Managed Health Care (the Department) has completed its investigation in the above referenced matter and has determined that Blue Cross of California (the Plan) failed to properly pay interest and penalties as required by Health and Safety Code sections 1371 and 1371.35, and California Code of Regulations, title 28, section 1300.71.

This enforcement matter arises from a non-routine survey conducted by the Division of Surveys (DOS) and an examination conducted by the Division of Financial Oversight (DFO). The non-routine survey involved the review of claims paid by the Plan's Behavioral Health Division covering the time period July 1, 2002, through June 31, 2003. The examination reviewed adjusted claims processed through the Plan's Provider Dispute Resolution (PDR). Both the non-routine survey and examination identified deficiencies related to the improper payment of interest and penalties as required by Health and Safety Code sections 1371 and 1371.35, and California Code of Regulations, title 28, section 1300.71.

The Plan has acknowledged its violations of the above-referenced sections of the Health and Safety Code and the California Code of Regulations and agreed to remediate the claims by July 1, 2006, pursuant to an approved corrective action plan. Based on the acknowledged violations and the Plan's corrective actions, the Department has

determined that an administrative penalty of two hundred thousand dollars (\$200,000.00) is warranted in this matter, and the Plan has agreed to pay the penalty.

Sincerely,




Amy L. Dobberteen
Assistant Deputy Director
Office of Enforcement

KLT:slb

Accepted by Blue Cross of California

Date: 7/5/06



Douglas Schur, Esq.
Vice President, Deputy General Counsel
Blue Cross of California